

this part 559 applies to subordinate organizations of federal savings associations. Subpart B of this part applies to subordinate organizations of all savings associations. OTS may, at any time, limit a savings association's investment in any of these entities, or may limit or refuse to permit any activities of any of these entities for supervisory, legal, or safety and soundness reasons.

(b) Notices under this part are applications for purposes of statutory and regulatory references to "applications." Any conditions that OTS imposes in approving any application are enforceable as a condition imposed in writing by the OTS in connection with the granting of a request by a savings association within the meaning of 12 U.S.C. 1818(b) or 1818(i).

§ 559.2 Definitions.

For purposes of this part:

Control has the same meaning as in part 574 of this chapter.

GAAP-consolidated subsidiary means an entity in which a savings association has a direct or indirect ownership interest and whose assets are consolidated with those of the savings association for purposes of reporting under Generally Accepted Accounting Principles (GAAP). Generally, these are entities in which a savings association has a majority ownership interest.

Lower-tier entity includes any company in which an operating subsidiary or a service corporation has a direct or indirect ownership interest.

Operating subsidiary means any entity that satisfies all of the requirements for an operating subsidiary set forth in § 559.3 of this part and that is designated by the parent savings association as an operating subsidiary pursuant to § 559.3 of this part. More than 50% of the voting shares of an operating subsidiary must be owned, directly or indirectly, by a federal savings association and no other person or entity may exercise effective operating control. An operating subsidiary may only engage in activities permissible for a federal savings association.

Ownership interest means any equity interest in a business organization, including stock, limited or general part-

nership interests, or shares in a limited liability company.

Service corporation means any entity that satisfies all of the requirements for service corporations in 12 U.S.C. 1464(c)(4)(B) and § 559.3 of this part and that is designated by the investing savings association as a service corporation pursuant to § 559.3 of this part. A service corporation must be organized under the laws of the state where the federal savings association's home office is located, may only be owned by savings associations with home offices in that state, and may engage in the activities identified in §§ 559.3(e)(2) and 559.4 of this part.

Subordinate organization means any corporation, partnership, business trust, association, joint venture, pool, syndicate, or other similar business organization in which a savings association has a direct or indirect ownership interest, unless that ownership interest qualifies as a pass-through investment pursuant to § 560.32 of this chapter and is so designated by the investing savings association.

Subsidiary means any subordinate organization directly or indirectly controlled by a savings association.

Subpart A—Regulations Applicable to Federal Savings Associations

§ 559.3 What are the characteristics of, and what requirements apply to, subordinate organizations of federal savings associations?

A federal savings association ("you") that meets the requirements of this section, as detailed in the following chart, may establish, or obtain an interest in an operating subsidiary or a service corporation. For ease of reference, this section cross-references other regulations in this chapter affecting operating subsidiaries and service corporations. You should refer to those regulations for the details of how they apply. The chart also discusses the regulations that may apply to lower-tier entities in which you have an indirect ownership interest through your operating subsidiary or service corporation. The chart follows: